

Department of Planning and Budget 2018 Fiscal Impact Statement

1. Bill Number: HB1568

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed
Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron: Landes

3. Committee: Appropriations

4. Title: Virginia Economic Development Partnership Authority; Department of Small Business and Supplier Diversity; Office of Small Business Assistance and Certification; small business development programs.

5. Summary: This bill abolishes the Department of Small Business and Supplier Diversity and transfers its functions and programs to the newly created Office of Small Business Assistance and Certification under the Secretary of Administration and the Virginia Economic Development Partnership Authority. Administration of the Small Business Jobs Grant Fund Program, the Small Business Investment Grant Fund, and the small business loan programs of the Small Business Financing Authority are transferred to the Virginia Economic Development Partnership Authority. Functions related to certification and procurement enhancement for small, women-owned, and minority-owned business, administration of the one-stop small business permitting program, and other functions as prescribed in § 2.2-1604 et seq., Code of Virginia, are transferred to the Office of Small Business Assistance and Certification.

6. Budget Amendment Necessary: Yes, to Items 65, 103, 120, and 122 of HB30/SB30.

7. Fiscal Impact Estimates: Preliminary. See item 8.

7a.1 Expenditure Impact: Item 65 – Secretary of Administration –Division of Selected Agency Support

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2018	n/a	n/a	n/a
2019	\$64,216	1	GF
2020	\$64,216	1	GF
2021	\$64,216	1	GF
2022	\$64,216	1	GF
2023	\$64,216	1	GF
2024	\$64,216	1	GF

7a.2 Expenditure Impact: Item 65 – Secretary of Administration, to create the Office of Small Business Assistance and Certification

General Fund:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2018	n/a	n/a	n/a
2019	\$3,313,863	24	GF
2020	\$3,063,863	24	GF
2021	\$3,063,863	24	GF
2022	\$3,063,863	24	GF
2023	\$3,063,863	24	GF
2024	\$3,063,863	24	GF

Nongeneral Fund

Fiscal Year	Dollars	Positions	Fund
2018	n/a	n/a	n/a
2019	\$1,592,572	17	NGF (04100)
2020	\$1,592,572	17	NGF (04100)
2021	\$1,592,572	17	NGF (04100)
2022	\$1,592,572	17	NGF (04100)
2023	\$1,592,572	17	NGF (04100)
2024	\$1,592,572	17	NGF (04100)

7a.3 Expenditure Impact: Item 103 – Economic Development Incentive Payments

General Fund:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2018	n/a	n/a	n/a
2019	\$819,753	n/a	GF
2020	\$819,753	n/a	GF
2021	\$819,753	n/a	GF
2022	\$819,753	n/a	GF
2023	\$819,753	n/a	GF
2024	\$819,753	n/a	GF

Nongeneral Fund

Fiscal Year	Dollars	Positions	Fund
2018	n/a	n/a	n/a
2019	\$325,000	n/a	NGF (SBJGF)
2020	n/a	n/a	n/a
2021	n/a	n/a	n/a
2022	n/a	n/a	n/a
2023	n/a	n/a	n/a
2024	n/a	n/a	n/a

7a.4 Expenditure Impact: Item 120 – Department of Small Business and Supplier Diversity

General Fund:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2018	n/a	n/a	n/a
2019	(\$4,439,269)	(26)	GF
2020	(\$4,189,269)	(26)	GF
2021	(\$4,189,269)	(26)	GF
2022	(\$4,189,269)	(26)	GF
2023	(\$4,189,269)	(26)	GF
2024	(\$4,189,269)	(26)	GF

Nongeneral Fund

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2018	n/a	n/a	n/a
2019	(\$2,899,301)	(24)	NGF
2020	(\$2,574,301)	(24)	NGF
2021	(\$2,574,301)	(24)	NGF
2022	(\$2,574,301)	(24)	NGF
2023	(\$2,574,301)	(24)	NGF
2024	(\$2,574,301)	(24)	NGF

7a.5 Expenditure Impact: Item 122 – Virginia Economic Development Partnership

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2018	n/a	n/a	n/a
2019	\$305,653	n/a	GF
2020	\$305,653	n/a	GF
2021	\$305,653	n/a	GF
2022	\$305,653	n/a	GF
2023	\$305,653	n/a	GF
2024	\$305,653	n/a	GF

7b. Revenue Impact: N/A.

- 8. Fiscal Implications:** Fiscal impact estimates are preliminary. It is anticipated that budget amendments to HB30/SB30 will be necessary, as this bill abolishes the Department of Small Business and Supplier Diversity (DSBSD) and transfers its programs and functions to two other entities: the Virginia Economic Development Partnership (VEDP) and the newly created Office of Small Business Assistance and Certification under the Secretary of Administration. The programs to be transferred to VEDP include the Small Business Jobs Grant Fund Program, the Small Business Investment Grant Fund Program, and the Virginia Small Business Financing Authority (VSBFA). Also, it is anticipated that annually, additional general fund support in the amount of \$64,216 and one position will be necessary. Additionally, the transfer of responsibilities for programs from DSBSD to VEDP will

involve the reclassification of employees from classified to non-classified. As such, the affected employees would be eligible for and may invoke benefits under the Workforce Transition Act (WTA). The amounts to be transferred from Item 120, DSBSD, to Item 122, VEDP, for staffing and program administration may be reduced due to WTA payments and other severance payments; however, an estimate of the number of employees that may be affected and amounts are indeterminate.

Both the Small Business Jobs Grant Fund and the Small Business Investment Grant Fund are required to be on the books of State Comptroller. However, VEDP, is established in statute as a political subdivision, is not part of the Commonwealth's financial system, and does not operate on the state books. As such, the funding for these and other incentive grant programs managed by VEDP, but statutorily required to remain in the state Treasury, are appropriated under Economic Development Incentive Payments and the Division of Selected Agency Support in the Office of the Secretary of Administration serves as fiscal agent. These include the Virginia Job's Investment Program (VJIP), the Commonwealth's Development Opportunity Fund (COF), and other grant programs authorized under the Virginia Investment Partnership Act. It is anticipated that the transfer of these additional programs will increase the Division's workload and necessitate additional resources. To administer these programs in conjunction with VEDP, it is anticipated that the Division will require one additional position to handle increased workload associated with these programs. The estimated annual costs are \$64,216, including salary and benefits, from the general fund.

HB30/SB30 includes \$325,000 in nongeneral fund appropriation in the first year for the Small Business Jobs Grant Fund. The Code requires that these funds remain in the state Treasury. No new general fund appropriation is included in the introduced budget for this program; the nongeneral fund appropriation in the first year allows for the payment of grants from cash balances. Administrative support for this Fund includes one position and a general fund appropriation of \$141,963, which includes salary, benefits, and operating expenses. To transfer responsibility for managing this program to VEDP, budget amendments to Items 103, Economic Development Incentive Payments (EDIP) and 120 (DSBSD), and 122 (VEDP) of HB30/SB30 are required. The nongeneral appropriation for the Small Business Jobs Grant Fund (\$325,000) must be transferred from DSBSD to EDIP, as payments from this Fund will require the services of the Division of Selected Agency Support. The general fund appropriation for the position and administrative support for the Small Business Jobs Grant Fund (\$141,963 in each year) will be transferred from DSBSD to VEDP.

Similarly, HB30/SB30 includes \$819,753 in general fund appropriation in each year for the Small Business Investment Grant Fund. The Code requires that these funds remain in the state Treasury. This grant program is administered by VSBFA, which this bill transfers to VEDP. In addition to administering the Small Business Investment Grant Fund, VSBFA manages several other programs. The appropriation for VSBFA includes \$163,690 to support the Executive Director and operating expenses, as well as a total of \$981,729 in nongeneral fund appropriation, which supports personnel costs for the remaining seven staff and administration of VSBFA's other programs. The majority of VSBFA's portfolio is managed by the Department of Treasury in local government investment pool (LGIP) accounts. VEDP also administers programs that are supported as part of these accounts. It is

anticipated that VSBFA programs will continue to operate in this manner when transferred and overseen by VEDP, and the current nongeneral fund appropriation will no longer be required, as the operation of these programs will be handled off the books of Commonwealth as are other LGIP funded programs managed by VEDP. However, the \$819,753 in general fund appropriation in each year in HB30/SB30 for the Small Business Investment Grant Fund will need to be transferred from DSBSD to EDIP, as the Code requires that these funds remain in the state Treasury and payments from this Fund will require the services of the Division of Selected Agency Support. Additionally, the general fund appropriation (\$163,690 in each year) for the operation of VSBFA will be transferred from DSBSD to VEDP.

In total, it is anticipated that nine staff currently supporting these programs will transfer from DSBSD to VEDP. At this time, seven of the nine positions are filled, but DSBSD is currently in active recruitment to fill the two unfilled positions. As VEDP is a political subdivision and not a state agency, the employment status of the nine individuals transferring to VEDP will change from classified to non-classified. According to the Department of Human Resource Management, the change in employment status invokes the option of these individuals for WTA. It is anticipated that, should these individuals elect WTA, costs for payouts and potential leave balances would be paid out of the current budget of DSBSD. It is uncertain how this will affect the amount of funds available to continue operations of the agency.

According to VEDP, to accommodate these nine positions, the cost for rent and operations is estimated at \$11,500 per person, or \$103,500 per year. As the amounts transferring to VEDP to support these positions also include costs for operations, it is anticipated that no additional resources will be required.

The bill establishes the Office of Small Business Assistance and Certification which will be responsible for functions related to certification and procurement enhancement for small, women-owned, and minority-owned business, administration of the one-stop small business permitting program, and other functions as prescribed in § 2.2-1604 et seq., Code of Virginia. These other functions focus on small business development and outreach, including informational workshops on marketing and financing of small businesses and one-on-one business counseling. In addition, DSBSD administers the Disadvantaged Business Enterprise (DBE) certification program through a memorandum of understanding with the Virginia Department of Transportation. Funding for this activity is provided by federal funds appropriated through the Commonwealth Transportation Fund. Therefore, it is anticipated that the remaining staff and functions of DSBSD, other than those transferred to VEDP, will remain and transfer to the new Office of Small Business Assistance and Certification under the Secretary of Administration. This transfer will include \$3,313,863 and 24 positions from the general fund in the first year and \$3,063,863 and 24 positions from the general fund the second year. A total of \$1,592,572 and 17 positions from nongeneral fund appropriation in both years will also need to be transferred. In addition, it is anticipated that the MOU between VDOT and DSBSD will need to be updated to reflect the new Office's role as the administrator of DBE Certification. Finally, it is anticipated that the new Office Small

Business Assistance and Certification will remain at DSBSD's current location, so no additional expenses are expected in terms of rent and/or moving costs.

The bill provides that the Secretary of Administration will appoint the Executive Director of the new Small Business Assistance and Certification. It is uncertain at this time if additional resources will be required to support this appointed position. Additionally, any costs with updating the agency website, databases, and other agency documentation and publications cannot be determined.

- 9. Specific Agency or Political Subdivisions Affected:** Department of Small Business and Supplier Diversity; Virginia Economic Development Partnership; Secretary of Administration, Division of Selected Agency Support; Department of Human Resource Management; Department of Treasury; Department of Transportation.
- 10. Technical Amendment Necessary:** Yes, strike all of line 630 and insert "Chief Executive Officer of the Virginia Economic Development Partnership Authority."
- 11. Other Comments:** None.